

**FCC Form 481 - Carrier Annual Reporting  
Data Collection Form**

FCC Form 481  
OMB Control No. 3060-0986/OMB Control No. 3060-0819  
July 2013

<010> Study Area Code	542339
<015> Study Area Name	THE SISKIYOU TEL CO
<020> Program Year	2014
<030> Contact Name: Person USAC should contact with questions about this data	Amber Stewart
<035> Contact Telephone Number: Number of the person identified in data line <030>	(530) 467-6154
<039> Contact Email Address: Email of the person identified in data line <030>	a.stewart@siskiyoutelephone.com

ANNUAL REPORTING FOR ALL CARRIERS			54.313 Completion Required	54.422 Completion Required
(check box when complete)				
<100> Service Quality Improvement Reporting	(complete attached worksheet)	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
<200> Outage Reporting (voice)	(complete attached worksheet)	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
<210> <input checked="" type="checkbox"/> <-- check box if no outages to report				
<300> Unfulfilled Service Requests (voice)	<input type="text" value="0"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
<310> Detail on Attempts (voice)	(attach descriptive document)	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
<320> Unfulfilled Service Requests (broadband)		<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
<330> Detail on Attempts (broadband)	(attach descriptive document)	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
<400> Number of Complaints per 1,000 customers (voice)		<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
<410> Fixed	<input type="text" value="0.0"/>			
<420> Mobile	<input type="text" value="0.0"/>			
<430> Number of Complaints per 1,000 customers (broadband)		<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
<440> Fixed				
<450> Mobile				
<500> Service Quality Standards & Consumer Protection Rules Compliance	(check to indicate certification)	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
<510> <input type="text" value="542339ca510"/>	(attached descriptive document)	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
<600> Functionality in Emergency Situations	(check to indicate certification)	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
<610> <input type="text" value="542339ca610"/>	(attached descriptive document)	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
<700> Company Price Offerings (voice)	(complete attached worksheet)	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
<710> Company Price Offerings (broadband)	(complete attached worksheet)	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
<800> Operating Companies and Affiliates	(complete attached worksheet)	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>
<900> Tribal Land Offerings (Y/N)? <input checked="" type="radio"/> <input type="radio"/>	(if yes, complete attached worksheet)	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
<1000> Voice Services Rate Comparability	(check to indicate certification)	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
<1010> <input type="text"/>	(attach descriptive document)	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
<1100> Terrestrial Backhaul (Y/N)? <input checked="" type="radio"/> <input type="radio"/>	(if not, check to indicate certification)	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
<1110>	(complete attached worksheet)	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
<1200> Terms and Condition for Lifeline Customers	(complete attached worksheet)	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>

**Price Cap Carriers, Proceed to Price Cap Additional Documentation Worksheet**

Including Rate-of-Return Carriers affiliated with Price Cap Local Exchange Carriers

<2000>	(check to indicate certification)	<input type="checkbox"/>	<input type="checkbox"/>
<2005>	(complete attached worksheet)	<input type="checkbox"/>	<input type="checkbox"/>

**Rate of Return Carriers, Proceed to ROR Additional Documentation Worksheet**

<3000>	(check to indicate certification)	<input checked="" type="checkbox"/>	<input type="checkbox"/>
<3005>	(complete attached worksheet)	<input checked="" type="checkbox"/>	<input type="checkbox"/>

<b>(100) Service Quality Improvement Reporting Data Collection Form</b>		FCC Form 481 OMB Control No. 3060-0986/OMB Control No. 3060-0819 July 2013
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<020>	Program Year	2014
<030>	Contact Name - Person USAC should contact regarding this data	Amber Stewart
<035>	Contact Telephone Number - Number of person identified in data line <030>	(530) 467-6154
<039>	Contact Email Address - Email Address of person identified in data line <030>	a.stewart@siskiyoutelephone.com
<110>	Has your company received its ETC certification from the FCC? If your answer to Line <110> is yes, do you have an existing §54.202(a) "5 year plan" filed with the FCC?	<input type="radio"/> (yes / no) <input checked="" type="radio"/>
<111>		<input type="radio"/> (yes / no) <input checked="" type="radio"/>

If your answer to Line <111> is yes, then you are required to file a progress report, on line <112> delineating the status of your company's existing § 54.202(a) "5 year plan" on file with the FCC, as it relates to your provision of voice telephony service.

<112> Attach Five-Year Service Quality Improvement Plan or, in subsequent years, your annual progress report filed pursuant to 47 C.F.R. § 54.313(a)(1). If your company is a CETC which only receives frozen support, your progress report is only required to address voice telephony service.

Name of Attached Document (.pdf)

Please check these boxes below to confirm that the attached PDF, on line 112, contains a progress report on its five-year service quality improvement plan pursuant to § 54.202(a). The information shall be submitted at the wire center level or census block as appropriate.

<113>	Maps detailing progress towards meeting plan targets	<input type="checkbox"/>
<114>	Report how much universal service (USF) support was received	<input type="checkbox"/>
<115>	How (USF) was used to improve service quality	<input type="checkbox"/>
<116>	How (USF) was used to improve service coverage	<input type="checkbox"/>
<117>	How (USF) was used to improve service capacity	<input type="checkbox"/>
<118>	Provide an explanation of network improvement targets not met in the prior calendar year.	<input type="checkbox"/>

**(200) Service Outage Reporting (Voice)  
Data Collection Form**

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<039>	Contact Email Address - Email Address of person identified in data line <030>	a.stewart@siskiyoutelephone.com

[illegible]





**(800) Operating Companies  
Data Collection Form**

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<039>	Contact Email Address - Email Address of person identified in data line <030>	a.stewart@siskiyoutelephone.com
<810>	Reporting Carrier	The Siskiyou Telephone Company, Inc.
<811>	Holding Company	Siskiyou Communications, Inc.
<812>	Operating Company	The Siskiyou Telephone Company, Inc.

[illegible]

<b>(900) Tribal Lands Reporting Data Collection Form</b>		FCC Form 481 OMB Control No. 3060-0986/OMB Control No. 3060-0819 July 2013
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<039>	Contact Email Address - Email Address of person identified in data line <030>	a.stewart@siskiyoutelephone.com

<910> Tribal Land(s) on which ETC Serves  
  
Karuk Tribe of California  
Quartz Valley Reservation

<920>	Tribal Government Engagement Obligation	542339ca920
Name of Attached Document (.pdf)		

If your company serves Tribal lands, please select (Yes,No, NA) for each these boxes to confirm the status described on the attached PDF, on line 920, demonstrates coordination with the Tribal government pursuant to § 54.313(a)(9) includes:

<921>	Needs assessment and deployment planning with a focus on Tribal community anchor institutions;	Select (Yes,No, NA)
<922>	Feasibility and sustainability planning;	Yes
<923>	Marketing services in a culturally sensitive manner;	NA
<924>	Compliance with Rights of way processes	NA
<925>	Compliance with Land Use permitting requirements	NA
<926>	Compliance with Facilities Siting rules	NA
<927>	Compliance with Environmental Review processes	NA
<928>	Compliance with Cultural Preservation review processes	NA
<929>	Compliance with Tribal Business and Licensing requirements.	NA

(1100) No Terrestrial Backhaul Reporting

Data Collection Form

FCC Form 481

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July 2013

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☐

<1120> Please check this box to confirm no terrestrial backhaul options exist within the supported area pursuant to § 54.313(G)

☐

<1130> Please check this box to confirm the reporting carrier offers broadband service of at least 1 Mbps downstream and 256 kbps upstream within the supported area pursuant to § 54.313(G)



<b>(1200) Terms and Condition for Lifeline Customers</b>		FCC Form 481
<b>Lifeline Data Collection Form</b>		OMB Control No. 3060-0986/OMB Control No. 3060-0819
		July 2013

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<039>	Contact Email Address - Email Address of person identified in data line <030>	a.stewart@siskiyoutelephone.com

<1210>	Terms & Conditions of Voice Telephony Lifeline Plans	542339ca1210
<1220>	Link to Public Website	<div> <div> Name of attached document (.pdf) </div> <div> <a href="http://www.sisqtel.net/sites/default/files/tariff/lifeline_rates.pdf">http://www.sisqtel.net/sites/default/files/tariff/lifeline_rates.pdf</a> </div> </div>

"Please check these boxes below to confirm that the attached PDF, on line 1210, or the website listed, on line 1220, contains the required information pursuant to § 54.422(a)(2) annual reporting for ETCs receiving low-income support, carriers must annually report:

<1221>	Information describing the terms and conditions of any voice telephony service plans offered to Lifeline subscribers,	<input checked="" type="checkbox"/>
<1222>	Details on the number of minutes provided as part of the plan,	<input checked="" type="checkbox"/>
<1223>	Additional charges for toll calls, and rates for each such plan.	<input checked="" type="checkbox"/>

<b>(2000) Price Cap Carrier Additional Documentation</b>		FCC Form 481
<b>Data Collection Form</b>		OMB Control No. 3060-0986/OMB Control No. 3060-0819
<i>Including Rate-of-Return Carriers affiliated with Price Cap Local Exchange Carriers</i>		July 2013

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**CHECK the boxes below to note compliance as a recipient of Incremental Connect America Phase I support, frozen High Cost support, High Cost support to offset access charge reductions, and Connect America Phase II support as set forth in 47 CFR § 54.313(b),(c),(d),(e) the information reported on this form and in the documents attached below is accurate.**


**Incremental Connect America Phase I reporting**

<2010>	2nd Year Certification {47 CFR § 54.313(b)(1)}
<2011>	3rd Year Certification {47 CFR § 54.313(b)(2)}

**Price Cap Carrier Receiving Frozen Support Certification {47 CFR § 54.312(a)}**

<2012>	2013 Frozen Support Certification
<2013>	2014 Frozen Support Certification
<2014>	2015 Frozen Support Certification
<2015>	2016 and future Frozen Support Certification


**Price Cap Carrier Connect America ICC Support {47 CFR § 54.313(d)}**

<2016>	Certification Support Used to Build Broadband
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**Connect America Phase II Reporting {47 CFR § 54.313(e)}**

<2017>	3rd year Broadband Service Certification
<2018>	5th year Broadband Service Certification
<2019>	Interim Progress Certification
<2020>	


Please check the box to confirm that the attached PDF , on line 2021, contains the required information pursuant to § 54.313 (e)(3)(ii), as a recipient of CAF Phase II support shall provide the number, names, and addresses of community anchor institutions to which began providing access to broadband service in the preceding calendar year.

Name of Attached Document Listing Required Information

Interim Progress Community Anchor Institutions

<2021>

<b>(3000) Rate Of Return Carrier Additional Documentation</b>		FCC Form 481
<b>Data Collection Form</b>		OMB Control No. 3060-0986/OMB Control No. 3060-0819
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**CHECK the boxes below to note compliance on its five year service quality plan (pursuant to 47 CFR § 54.202(a)) and, for privately held carriers, ensuring compliance with the financial reporting requirements set forth in 47 CFR § 54.313(f)(2). I further certify that the information reported on this form and in the documents attached below is accurate.**

#### Progress Report on 5 Year Plan

(3010) Milestone Certification (47 CFR § 54.313(f)(1)(i))  
Please check this box to confirm that the attached PDF, on line 3012,

(3011) contains the required information pursuant to § 54.313 (f)(1)(ii), as a recipient of CAF Phase II support shall provide the number, names, and addresses of community anchor institutions to which began providing access to broadband service in the preceding calendar year.

(3012) Community Anchor Institutions (47 CFR § 54.313(f)(1)(ii))  
(3013) Is your company a Privately Held ROR Carrier (47 CFR § 54.313(f)(2))  
(3014) If yes, does your company file the RUS annual report  
Please check these boxes to confirm that the attached PDF, on line 3017, contains the required information pursuant to § 54.313(f)(2) compliance requires:

(3015) Electronic copy of their annual RUS reports (Operating Report for Telecommunications Borrowers)

(3016) PDF of Balance Sheet, Income Statement and Statement of Cash Flows

(3017) If the response is yes on line 3014, attach your company's RUS annual report and all required documentation

(3018) If the response is no on line 3014, Is your company audited?

If the response is yes on line 3018, please check the boxes below to confirm your submission, on line 3026 pursuant to § 54.313(f)(2), contains

(3019) Either a copy of their audited financial statement; or (2) a financial report in a format comparable to RUS Operating Report for Telecommunications PDF of Balance Sheet, Income Statement and Statement of Cash Flows

(3020) Management letter issued by the independent certified public accountant that performed the company's financial audit.

(3021) If the response is no on line 3018, please check the boxes below to confirm your submission, on line 3026 pursuant to § 54.313(f)(2), contains:

(3022) Copy of their financial statement which has been subject to review by an independent certified public accountant; or (2) a financial report in a format comparable to RUS Operating Report for Telecommunications Borrowers,

(3023) Underlying information subjected to a review by an independent certified public accountant

(3024) Underlying information subjected to an officer certification.

(3025) PDF of Balance Sheet, Income Statement and Statement of Cash Flows

(3026) Attach the worksheet listing required information

Name of Attached Document Listing Required Information

☐

Name of Attached Document Listing Required Information

☒ (Yes/No)  
☐ (Yes/No)

☐
☐

Name of Attached Document Listing Required Information

☒ (Yes/No)  
☐ (Yes/No)

☒
☒
☒
☐
☐
☐

542339ca3026

Name of Attached Document Listing Required Information

<b>Certification - Reporting Carrier Data Collection Form</b>	FCC Form 481 OMB Control No. 3060-0986/OMB Control No. 3060-0819 July 2013
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**TO BE COMPLETED BY THE REPORTING CARRIER, IF THE REPORTING CARRIER IS FILING ANNUAL REPORTING ON ITS OWN BEHALF:**

Certification of Officer as to the Accuracy of the Data Reported for the Annual Reporting for CAF or LI Recipients	
I certify that I am an officer of the reporting carrier; my responsibilities include ensuring the accuracy of the annual reporting requirements for universal service support recipients; and, to the best of my knowledge, the information reported on this form and in any attachments is accurate.	
Name of Reporting Carrier:	THE SISKIYOU TEL CO
Signature of Authorized Officer:	CERTIFIED ONLINE
Date	10/09/2013
Printed name of Authorized Officer:	James Lowers
Title or position of Authorized Officer:	President
Telephone number of Authorized Officer:	530-467-6171
Study Area Code of Reporting Carrier:	542339
Filing Due Date for this form:	10/15/2013
Persons willfully making false statements on this form can be punished by fine or forfeiture under the Communications Act of 1934, 47 U.S.C. §§ 502, 503(b), or fine or imprisonment under Title 18 of the United States Code, 18 U.S.C. § 1001.	

<b>Certification - Agent / Carrier Data Collection Form</b>	FCC Form 481 OMB Control No. 3060-0986/OMB Control No. 3060-0819 July 2013
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<039> Contact Email Address - Email Address of person identified in data line <030>	a.stewart@siskiyoutelephone.com

**TO BE COMPLETED BY THE REPORTING CARRIER, IF AN AGENT IS FILING ANNUAL REPORTS ON THE CARRIER'S BEHALF:**

Certification of Officer to Authorize an Agent to File Annual Reports for CAF or LI Recipients on Behalf of Reporting Carrier	
I certify that (Name of Agent) _____ is authorized to submit the information reported on behalf of the reporting carrier. I also certify that I am an officer of the reporting carrier; my responsibilities include ensuring the accuracy of the annual data reporting requirements provided to the authorized agent; and, to the best of my knowledge, the reports and data provided to the authorized agent is accurate.	
Name of Authorized Agent: _____	
Name of Reporting Carrier: _____	
Signature of Authorized Officer: _____	Date: _____
Printed name of Authorized Officer: _____	
Title or position of Authorized Officer: _____	
Telephone number of Authorized Officer: _____	
Study Area Code of Reporting Carrier: _____	Filing Due Date for this form: _____
Persons willfully making false statements on this form can be punished by fine or forfeiture under the Communications Act of 1934, 47 U.S.C. §§ 502, 503(b), or fine or imprisonment under Title 18 of the United States Code, 18 U.S.C. § 1001.	

**TO BE COMPLETED BY THE AUTHORIZED AGENT:**

Certification of Agent Authorized to File Annual Reports for CAF or LI Recipients on Behalf of Reporting Carrier	
I, as agent for the reporting carrier, certify that I am authorized to submit the annual reports for universal service support recipients on behalf of the reporting carrier; I have provided the data reported herein based on data provided by the reporting carrier; and, to the best of my knowledge, the information reported herein is accurate.	
Name of Reporting Carrier: _____	
Name of Authorized Agent or Employee of Agent: _____	
Signature of Authorized Agent or Employee of Agent: _____	Date: _____
Printed name of Authorized Agent or Employee of Agent: _____	
Title or position of Authorized Agent or Employee of Agent: _____	
Telephone number of Authorized Agent or Employee of Agent: _____	
Study Area Code of Reporting Carrier: _____	Filing Due Date for this form: _____
Persons willfully making false statements on this form can be punished by fine or forfeiture under the Communications Act of 1934, 47 U.S.C. §§ 502, 503(b), or fine or imprisonment under Title 18 of the United States Code, 18 U.S.C. § 1001.	

## Attachments

FCC Form 481  
OMB Control No. 3060-0986/OMB Control No. 3060-0819  
July 2013

[illegible]



*A Tradition of Excellence Since 1896*

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30 Telco Way • P.O. Box 157 • Etna, CA 96027-0157  
Phone (530) 467-6000 • Fax (530) 467-6401

## 54.313(a)(5) Satisfaction of Consumer Protection and Service Quality Standards

### **Voice**

#### Consumer Protection

Siskiyou Telephone Company complies with the requirements of 47 CFR Part 64 Subpart U, Customer Proprietary Network Information and the Federal Trade Commission Red Flag rules to prevent identity theft. A manual for each of those programs is in place and is part of the employees' handbook. Employee training is conducted annually and new hires are instructed on the programs as required by their job functions.

#### Service Quality Standards

Siskiyou Telephone Company complies with the service standards of the State of California as promulgated in California Public Utilities Commission General Order 133-C (Rules Governing Telecommunications Services – Service Quality), California Public Utilities Commission General Order 168 (Market Rules to Empower Consumers and to Prevent Fraud – Consumer Protection), and related orders of the California Public Utilities Commission.





*A Tradition of Excellence Since 1896*

30 Telco Way • P.O. Box 157 • Etna, CA 96027-0157  
Phone (530) 467-6000 • Fax (530) 467-6401

## SISKIYOU TELEPHONE COMPANY

2013 Annual 54.313 Report of High-Cost Recipient

### **54.313(a)(6) Ability to Remain Functional in Emergency Situations**

#### Back-up Power

Siskiyou Telephone Company has the following back-up power capabilities:

<u>Headquarters</u>	Gen.300 kw	Diesel	1000 Gal.	UPS	30 min.
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#### Switches – stand alone

Etna	Gen.35 kw	Propane	577 Gal.	Batt.	1220 AH
Fort Jones	Gen.180 kw	Diesel	1000 Gal.	Batt.	2110 AH
Hamburg	Gen.20 kw	Propane	495 Gal.	Batt.	1220 AH
Happy Camp	Gen.35 kw	Propane	990 Gal.	Batt.	1220 AH
Oak Knoll	Gen.20 kw	Propane	500 Gal.	Batt.	1220 AH
Sawyers Bar	Gen.12 kw	Propane	500 Gal.	Batt.	440 AH
Somes Bar	Gen.20 kw	Propane	994 Gal.	Batt.	1220 AH

Remote Central Offices – NONE.

#### Subscriber Carrier Nodes

##### 462 – Sawyers Bar Exchange

Cecilville			Batt. 200AH	Pwr.Pr.
China Gulch			Batt. 38 AH	Pwr.Pr.
Crapo Creek			Batt. 38 AH	Pwr.Pr.
Cronan Gulch			Batt. 38 AH	Pwr.Pr.
Dave Meyer Hill	Gen.12 kw	Propane	Batt. 680 AH	Solar
Eddy Gulch			Batt. 100 AH	Solar
Forks of Salmon	Gen 7.5 kw	Propane	Batt. 100 AH	Pwr.Pr./Solar
Missouri Bar			Batt. 38 AH	Pwr.Pr.
Rush Creek			Batt. 100 AH	Solar
Taylor Creek	Gen.4.5 kw	Gasoline	Batt. 200 AH	Solar

## Subscriber Carrier Nodes – (Continued)

### 465 – Oak Knoll Exchange

Dona Creek				Batt. 38 AH	Pwr.Pr.
Dutch Creek				Batt. 38 AH	Pwr.Pr.
Fisher				Batt. 38 AH	Pwr.Pr.
McKinney Creek				Batt. 38 AH	Pwr.Pr.

### 467 – Etna Exchange

Black Bridge				Batt. 38 AH	Pwr.Pr.
Callahan	Fuel Cell	Hydrogen	6 Cyl.	Batt 344 AH	
Dredger Camp				Batt. 38 AH	Pwr.Pr.
Fay Lane				Batt 38 AH	Pwr.Pr.
Forest Lane				Batt 38 AH	Pwr.Pr.
French Creek	Fuel Cell	Hydrogen	6 Cyl.	Batt 100 AH	
JH Ranch				Batt 38 AH	Pwr.Pr.
Masterson				Batt 38 AH	Pwr.Pr.
Pines	Fuel Cell	Hydrogen	6 Cyl.	Batt 344 AH	
S. Kidder Creek				Batt 38 AH	Pwr.Pr.
Young's Dam				Batt 38 AH	Pwr.Pr.

### 468 – Ft. Jones Exchange

Airport				Batt 38 AH	Pwr.Pr.
Boulder Creek				Batt 38 AH	Pwr.Pr.
Chaparral				Batt. 38 AH	Pwr.Pr.
Charity Mission				Batt. 38 AH	Pwr.Pr.
Deadwood				Batt. 38 AH	Pwr.Pr.
Duzel				Batt. 38 AH	Pwr.Pr.
Greenview	Generator	Propane	172 Gal.	Batt 344 AH	
Hungry Hollow				Batt. 38 AH	Pwr.Pr.
Hurd's Gulch				Batt. 38 AH	Pwr.Pr.
Indian Creek				Batt. 38 AH	Pwr.Pr.
McAdams Creek				Batt. 38 AH	Pwr.Pr.
Meamber	Generator	Propane	250 Gal.	Batt 344 AH	
Meamber Creek				Batt. 38 AH	Pwr.Pr.
Mugginsville				Batt. 38 AH	Pwr.Pr.
N. Kidder Creek				Batt. 38 AH	Pwr.Pr.
Oro Fino				Batt. 38 AH	Pwr.Pr.
Rattlesnake				Batt. 38 AH	Pwr.Pr.
Rickey Lane				Batt. 38 AH	Pwr.Pr.
Tyler Gulch				Batt. 38 AH	Pwr.Pr.
W. Moffett Creek				Batt. 38 AH	Pwr.Pr.

### 469 – Somes Bar Exchange

Bark Shanty				Batt. 38 AH	Pwr.Pr.
Marble Mt. Ranch				Batt. 38 AH	Pwr.Pr.

### Subscriber Carrier Nodes – (Continued)

Oak Bottom	Batt. 38 AH	Pwr.Pr.
Teneyke	Batt. 38 AH	Pwr.Pr.
TiBar	Batt. 38 AH	Pwr.Pr.

#### 493 – Happy Camp Exchange

Benjamin Creek	Batt. 38 AH	Pwr.Pr.
Clear Creek	Batt. 100 AH	Pwr.Pr.
Dolittle	Batt. 38 AH	Pwr.Pr.
Indian Creek	Batt. 38 AH	Pwr.Pr.
Woods Bar	Batt. 38 AH	Pwr.Pr.

#### 496 – Hamburg Exchange

Fort Goff	Batt. 38 AH	Pwr.Pr.		
Horse Creek	Batt. 38 AH	Pwr.Pr.		
Scott Bar	Batt. 38 AH	Pwr.Pr.		
Seiad	Generator	Propane	288 Gal.	Batt. 300 AH
Seiad Creek	Batt. 38 AH	Pwr.Pr.		
Sunny Slope	Batt. 38 AH	Pwr.Pr.		
Thompson Creek	Batt. 38 AH	Pwr.Pr.		
W. Horse Creek	Batt. 38 AH	Pwr.Pr.		

### Network Interface Devices (NIDs)

Siskiyou Telephone Company has 3,814 access lines with metallic (copper) connections to the Central Office, and their NIDs are powered from the Central Office. Most Siskiyou Telephone Company customers with fiber optic access lines also have a metallic (copper) connection to the central office, and their NIDs are powered by the copper connection from protected power supplied by either the central office or a subscriber carrier node. Only five of Siskiyou Telephone Company's NIDs are battery powered in case of emergency at this time.

### Ability to Reroute Traffic Around Damaged Facilities:

#### A. Toll Trunking to the AT&T Access Tandem in Redding

Siskiyou Telephone Company has two routes from its Fort Jones tandem to the AT&T Tandem in Redding. One is a fiber optic route between Fort Jones and Redding. The other route is a microwave route between Fort Jones and Redding.

#### B. 911-Trunks to the AT&T Selective Router in Redding

Siskiyou Telephone Company has two 911 trunks from each of its 7 exchanges to its Fort Jones tandem, and from there the trunks follow separate paths to the

Ability to Reroute Traffic Around Damaged Facilities: - (Continued)

AT&T selective router in Redding. One path is Siskiyou's microwave route to Redding, and the other path is Siskiyou's fiber route to Redding. The AT&T exchanges in Siskiyou County also use Siskiyou's microwave route to Redding as their 911 backup route.

C. Internet Traffic to the Internet Backbone

Siskiyou Telephone Company has two diverse paths to the internet backbone from its meet point in Yreka, CA. One path goes north to Klamath Falls, Oregon, and the other path goes south to Stockton, CA.

D. Inter-Office Trunking Within Siskiyou Telephone Company's Exchange Area

The following projects have been completed or planned to provide diverse routing between Siskiyou Telephone's tandem switch in Fort Jones and its subsidiary switches in our other 6 exchanges: (Please also see Attachment A Drawing.)

1. Fort Jones to Hamburg  
Siskiyou Telephone has plans to build the last segment of a fiber route between Fort Jones and Hamburg in 2013. This will allow traffic to be split between the new fiber route and the existing microwave route.
2. Fort Jones to Happy Camp  
Siskiyou has plans to build the last segment of a fiber route between Fort Jones and Happy Camp in 2015. This will allow traffic to be split between the new fiber route and the existing microwave route.
3. Fort Jones to Oak Knoll  
Siskiyou has plans to build the last segment of a fiber route between Fort Jones and Oak Knoll in 2017. This will allow traffic to be split between the new fiber route and the existing microwave route.
4. Fort Jones to Sawyers Bar  
Siskiyou has plans to build the last segment of a fiber route between Fort Jones and Sawyers Bar in 2019/2020. This will allow traffic to be split between the new fiber route and the existing microwave route.
5. Fort Jones to Somes Bar  
Siskiyou has plans to build the last segment of a fiber route between Fort Jones and Sawyers Bar in 2021. This will allow traffic to be split between the new fiber route and the existing microwave route.

### Ability to Reroute Traffic Around Damaged Facilities: - (Continued)

To complete a true fiber optic ring and provide the ultimate in reliability, it will be necessary to construct two more fiber segments:

- 6./7. Oak Knoll to Scott Bar
- 8. Happy Camp to Somes Bar.

Oak Knoll to Scott Bar has been tentatively scheduled for 2027, but Happy Camp to Somes Bar is so expensive we haven't scheduled it yet. Virtually all of our routes go through steep mountain canyons involve rock sawing, hard rock drilling, and even mandatory concrete slurry backfill in some cases, so they are extremely expensive.

### Capability to Manage Traffic Spikes Resulting From Emergency Situations

Siskiyou Telephone Company has 3,814 access lines, tandem switching capacity of 2,688 simultaneous outgoing/incoming calls, and transport capacity for 649 simultaneous toll calls. Siskiyou Telephone Company takes no responsibility for the capabilities of interconnected networks to manage traffic spikes resulting from emergency situations, but will continue its best efforts for its networks during such events.

#### 54.313 Tribal Engagement

Attached is a detailed account of our conversations with the Karuk Tribe in Happy Camp, CA for 2012. It covers items <921> and <922>. We went over items <923> through <929> and the Tribe indicated currently there was nothing to discuss pertaining to those items. We made them aware of our reporting requirements and asked them to please contact us if there was anything they needed to discuss in the future.

Siskiyou Telephone's Tribal Liaison made an onsite visit to the Tribal Data Center in 2012. He was quite impressed with their state of the art technology. We are currently fulfilling their broadband needs to operate this data center.

We did initially reach out to Quartz Valley Indian Reservation and did not receive a response. They felt their needs were being met and there was nothing to discuss on the checklist.



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30 Telco Way - PO Box 157 - Etna, CA 96027-0157  
Phone (530) 467-6000 Fax (530) 467-6401

2.13.2012

2012 "Tribal Engagement" History, to address FCC 54.313(a)(9)

FCC 54.313

Revised as of December 4, 2012

SOURCE: <http://www.hallikainen.com/FccRules/2012/54/313/>

(9) Beginning April 1, 2013. To the extent the recipient serves Tribal lands, documents or information demonstrating that the ETC had discussions with Tribal governments that, at a minimum, included:

(i) A needs assessment and deployment planning with a focus on Tribal community anchor institutions;

(ii) Feasibility and sustainability planning;

(iii) Marketing services in a culturally sensitive manner;

(iv) Rights of way processes, land use permitting, facilities siting, environmental and cultural preservation review processes; and

(v) Compliance with Tribal business and licensing requirements. Tribal business and licensing requirements include business practice licenses that Tribal and non-Tribal business entities, whether located on or off Tribal lands, must obtain upon application to the relevant Tribal government office or division to conduct any business or trade, or deliver any goods or services to the Tribes, Tribal members, or Tribal lands. These include certificates of public convenience and necessity, Tribal business licenses, master licenses, and other related forms of Tribal government licensure.

<p>Primary Siskiyou Telephone Contact:</p> <p>Michael C. Bray, IT Manager Siskiyou Telephone / Sisqtel.net PO Box 157; 30 Telco Way, Etna, CA 96027 530.467.6133 Fax: 530.467.6401 <a href="http://www.linkedin.com/in/michaelcbray">www.linkedin.com/in/michaelcbray</a></p>	<p>Primary Tribal Contact:</p> <p>Eric Cutright IT Director Karuk Tribe 530-493-1600 x2049 530-598-8006 cell</p>
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January 27, 2012

Discussed Orleans to Somes Bar project with Karuk tribe representative and coordinated Siskiyou Telephone staff to address several of their questions.

February 3, 2012

Conference call with Karuk tribe representative to discuss Orleans project.

March 7, 2012

Correspondence with Karuk tribe representative to coordinate lunch meeting on 3/28/2012.

March 20, 2012

Provided Karuk tribe representative with letter detailing the, "Schedule and Amounts of Matching Funds for the USDA Rural Utility Services Orleans Broadband Project" as signed by Jim Lowers.

March 28, 2012

Lunch meeting in Happy Camp with Karuk tribe IT department.

May 9, 2012

IP Address Block issues discussed.

May 18, 2012

Ishi Pishi Road meet point details discussed.

May 18, 2012

Provided matching funds information in support of the Karuk Tribe's USDA grant application

June 12, 2012

Provided information to the Karuk Tribe regarding new broadband offerings.

June 29, 2012

Assisted Karuk tribe with coordinating internal staff to address their call-forwarding changes.

July 12, 2012

Additional call-forwarding follow-up with Karuk tribe.

September 7, 2012

Assisted Karuk tribe with coordinating internal staff to address their phone number disconnects.





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September 7, 2012

Assisted Karuk tribe in coordinating a conference call to discuss the Orleans Fiber project.

September 20, 2012

Conference Call with Karuk Tribe representative and their consultants to discuss the Orleans Fiber project.

September 26, 2012

Assisted Karuk tribe in coordinating Siskiyou Telephone staff to address their "Supertrunk" service cancellation and phone number reassignment.

October 5, 2012

Assisted Karuk tribe in coordinating Siskiyou Telephone staff to address phone number reassignment, disconnect of unneeded number.

November 15, 2012

Worked closely with Karuk tribe IT staff to address Copyright Infringement notifications associated with their account at the Happy Camp computer center.

November 29, 2012

Assisted Karuk tribe in coordinating Siskiyou Telephone staff to address a request to transfer DSL service between existing accounts.

#### 54.313 Lifeline Customers MOU and Additional Toll Charges

Lifeline subscribers receive the same residential service as a regular subscriber, but at a reduced monthly recurring rate. Thus, lifeline subscribers have an unlimited number of local calling minutes. As for toll, lifeline subscribers, similar to every Siskiyou subscriber, are free to choose their own toll usage plans through IXC's that serve Siskiyou.



Report of Independent Auditors  
and Financial Statements

The Siskiyou Telephone Company

December 31, 2012 and 2011

## **CONTENTS**

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## REPORT OF INDEPENDENT AUDITORS

To the Board of Directors

### **The Siskiyou Telephone Company**

#### **Report on the Financial Statements**

We have audited the accompanying financial statements of The Siskiyou Telephone Company, which comprise the balance sheets as of December 31, 2012 and 2011, and the related statements of income and retained earnings and cash flows for the years then ended, and the related notes to the financial statements.

#### **Management's Responsibility for the Financial Statements**

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of the financial statements that are free from material misstatement, whether due to fraud or error.

#### **Auditor's Responsibility**

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate for the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

#### **Opinion**

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of The Siskiyou Telephone Company as of December 31, 2012 and 2011, and the results of its operations and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

*Moss Adams LLP*

Stockton, California

April 19, 2013

## **BALANCE SHEETS**

**THE SISKIYOU TELEPHONE COMPANY**  
**BALANCE SHEETS**

**ASSETS**

	DECEMBER 31,	
	2012	2011
<b>CURRENT ASSETS</b>		
Cash and cash equivalents	\$ 5,132,276	\$ 6,703,118
Telecommunications accounts receivable	295,657	280,933
Other accounts receivable	4,502,678	7,081,656
Accounts receivable – affiliated companies	232,723	2,408
Materials and supplies	884,596	1,292,057
Other prepayments	290,759	140,018
Deferred income taxes	301,474	524,096
Total current assets	11,640,163	16,024,286
<b>NONCURRENT ASSETS</b>		
Investments	84,877	86,385
<b>PROPERTY, PLANT, AND EQUIPMENT</b>		
Telecommunications plant in service	87,150,565	81,001,146
Plant under construction	1,764,954	1,697,351
Nonregulated plant in service	411,842	744,201
	89,327,361	83,442,698
Less accumulated depreciation	34,988,208	34,170,166
Net property, plant, and equipment	54,339,153	49,272,532
	\$ 66,064,193	\$ 65,383,203

**THE SISKIYOU TELEPHONE COMPANY**  
**BALANCE SHEETS**

**LIABILITIES AND STOCKHOLDER'S EQUITY**

	DECEMBER 31,	
	2012	2011
<b>CURRENT LIABILITIES</b>		
Accounts payable	\$ 604,813	\$ 916,475
Accrued employee absences	177,383	175,992
Income taxes payable	274,610	1,034,859
	<u>1,056,806</u>	<u>2,127,326</u>
<b>OTHER LIABILITIES</b>		
Deferred income taxes	4,691,910	4,532,478
	<u>4,691,910</u>	<u>4,532,478</u>
<b>STOCKHOLDER'S EQUITY</b>		
Preferred stock, Class "A" authorized 39,400 shares, \$50 par value:		
Issued and outstanding 8,360 shares	418,000	418,000
Common stock, authorized 2,000 shares, \$5 par value:		
Issued and outstanding 2,000 shares	10,000	10,000
Additional paid-in capital	10,906,957	10,906,957
Retained earnings	48,980,520	47,388,442
	<u>60,315,477</u>	<u>58,723,399</u>
Total stockholder's equity	<u>\$ 66,064,193</u>	<u>\$ 65,383,203</u>



**THE SISKIYOU TELEPHONE COMPANY**  
**STATEMENTS OF INCOME AND RETAINED EARNINGS**

	YEARS ENDED DECEMBER 31,	
	2012	2011
<b>OPERATING REVENUES</b>		
Local network services	\$ 1,170,350	\$ 1,215,570
Interstate access services	4,348,220	4,106,636
State access services	667,194	759,871
Federal universal and state high cost fund support	11,918,004	11,786,173
Nonregulated services	1,407,784	1,303,360
Miscellaneous	198,622	200,545
Uncollectibles	(29,404)	(50,819)
Total operating revenues	19,680,770	19,321,336
<b>OPERATING EXPENSES</b>		
Plant specific operations	2,473,206	2,381,123
Plant nonspecific operations	1,168,141	1,267,964
Customer operations	898,511	779,966
Corporate operations	2,174,481	2,249,037
Depreciation and amortization	4,366,861	4,136,536
Nonregulated operations	1,090,830	1,046,897
Property and other taxes	505,129	472,707
Total operating expenses	12,677,159	12,334,230
<b>OPERATING INCOME</b>	7,003,611	6,987,106
<b>OTHER INCOME</b>		
Interest and dividend income	13,229	39,865
Rural Telephone Bank income	-	5,563,428
Nonoperating expense, net	(171,046)	(83,453)
Total other income	(157,817)	5,519,840
<b>INCOME BEFORE INCOME TAXES</b>	6,845,794	12,506,946
Provision for income taxes	2,705,207	4,863,259
<b>NET INCOME</b>	4,140,587	7,643,687
<b>RETAINED EARNINGS, beginning of year</b>	47,388,442	39,888,790
Dividends on preferred stock	(24,035)	(24,035)
Dividends on common stock	(2,524,474)	(120,000)
<b>RETAINED EARNINGS, end of year</b>	\$ 48,980,520	\$ 47,388,442

## **STATEMENTS OF CASH FLOWS**

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**THE SISKIYOU TELEPHONE COMPANY**  
**STATEMENTS OF CASH FLOWS**

	YEARS ENDED DECEMBER 31,	
	2012	2011
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Cash received from customers and settlements	\$ 22,075,486	\$ 18,203,378
Cash paid to vendors, suppliers, and employees	(8,363,849)	(8,775,978)
Interest and dividends received	13,229	39,865
Income taxes paid	(3,083,402)	(442,022)
Net cash from operating activities	<u>10,641,464</u>	<u>9,025,243</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Accounts receivable – affiliated companies, net	(230,316)	14,358
Proceeds from sale of investment	-	100,000
Construction and acquisition of plant	(11,727,799)	(7,072,864)
Salvage, net of cost of removal	<u>2,294,318</u>	<u>237,113</u>
Net cash from investing activities	<u>(9,663,797)</u>	<u>(6,721,393)</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Dividends paid	<u>(2,548,509)</u>	<u>(144,035)</u>
Net cash from financing activities	<u>(2,548,509)</u>	<u>(144,035)</u>
<b>NET CHANGE IN CASH AND CASH EQUIVALENTS</b>	(1,570,842)	2,159,815
<b>CASH AND CASH EQUIVALENTS, beginning of year</b>	<u>6,703,118</u>	<u>4,543,303</u>
<b>CASH AND CASH EQUIVALENTS, end of year</b>	<u><u>\$ 5,132,276</u></u>	<u><u>\$ 6,703,118</u></u>

**THE SISKIYOU TELEPHONE COMPANY**  
**STATEMENTS OF CASH FLOWS**

	YEARS ENDED DECEMBER 31,	
	2012	2011
RECONCILIATION OF NET INCOME TO NET CASH FROM OPERATING ACTIVITIES:		
NET INCOME	\$ 4,140,587	\$ 7,643,687
Adjustments to reconcile net income to net cash from operating activities:		
Depreciation and amortization	4,366,861	4,136,521
Deferred income taxes	382,054	2,936,378
Equity earnings in CVIN Limited Liability Company	-	26,654
Loss on sale of investment	-	44,068
Noncash patronage dividends	1,508	(11,412)
Increase (decrease) in cash due to changes in assets and liabilities:		
Telecommunications accounts receivable	(14,724)	(714)
Other accounts receivable	2,578,978	(6,656,529)
Materials and supplies	407,461	(74,336)
Other prepayments	(150,741)	(1,148)
Accounts payable	(311,662)	(500,834)
Accrued employee absences	1,391	(1,951)
Prepaid/accrued income taxes payable	(760,249)	1,484,859
Total adjustments	6,500,877	1,381,556
NET CASH FROM OPERATING ACTIVITIES	\$ 10,641,464	\$ 9,025,243

# THE SISKIYOU TELEPHONE COMPANY

## NOTES TO FINANCIAL STATEMENTS

---

### NOTE 1 – DESCRIPTION OF OPERATIONS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

**Description of operations** – The Siskiyou Telephone Company (the Company) is a wholly-owned subsidiary of Siskiyou Communications, Inc. The Company provides telephone service in its franchised territory of Siskiyou and Humboldt Counties and is subject to the Rules and Regulations of the California Public Utilities Commission (CPUC) and the Federal Communications Commission (FCC).

**Accounting policies** – The financial statements of the Company have been prepared in conformity with accounting principles generally accepted in the United States of America applicable to regulated public utilities. The accounting records of the Company are maintained in accordance with the uniform system of accounts prescribed by the FCC and adopted by the CPUC. Such accounting principles are consistent in all material respects with accounting prescribed by the FCC.

**Use of estimates** – The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

**Cash and cash equivalents** – For purposes of the statement of cash flows, the Company classifies as cash equivalents all highly liquid investments with maturities of three months or less.

**Accounts receivable valuation** – The Company reviews the collectibility of accounts receivable annually based on an analysis of outstanding receivables, historical collection information, and existing economic conditions. Receivables from subscribers are due 30 days after issuance of the subscriber bill. Receivables from other exchange carriers are typically outstanding from 30 to 60 days before payment is received. Delinquent accounts are charged to uncollectible expense when it is determined that the account will not be collected. Due to the immaterial nature of the Company's uncollectible accounts, an allowance for uncollectible accounts is not deemed necessary, and the result of this method does not materially differ from accounting principles generally accepted in the United States of America.

**Materials and supplies** – Materials and supplies inventory is valued at the lower of cost or market. Cost is determined by the average cost method.

**Property, plant, and equipment** – Property, plant, and equipment are stated at original cost. The cost of additions and substantial betterments of property, plant, and equipment is capitalized. The cost of maintenance and repairs is charged to operating expenses.

In accordance with composite group depreciation methodology, when a portion of the Company's depreciable property, plant, and equipment is retired in the ordinary course of business, the gross book value is charged to accumulated depreciation.

# THE SISKIYOU TELEPHONE COMPANY

## NOTES TO FINANCIAL STATEMENTS

---

### NOTE 1 – DESCRIPTION OF OPERATIONS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

**Property, plant, and equipment (continued)** – Depreciation of the Company's nonregulated plant is provided by the straight-line method over the estimated useful lives of the assets. Upon retirement, sale, or other disposition of nonregulated investments, the cost and related accumulated depreciation are removed from the related accounts and the resulting gains or losses are included in operations.

**Revenue recognition** – Monthly service plan revenues derived from local service are billed one month in advance, but recognized in the month that service is provided. Usage-sensitive revenues such as access (revenues earned from originating/terminating long distance calls) are generally billed as a per minute charge and are billed in arrears and recognized in the month the service is provided.

Interstate access revenues also include settlements based on the Company's participation in the revenue pools administered by the National Exchange Carrier Association (NECA). These revenues are determined by annual separations and interstate access cost studies. Revenues for the current year are based on estimates prior to the submission of the cost study reporting actual results of operations. Additionally, the studies are subject to a 24-month pool earnings adjustment period and a review of the study by NECA. There was an insignificant revenue impact in 2012 and 2011 for adjustments related to prior year differences between the recorded estimates and actual revenues. Furthermore, management does not anticipate that 2012 and 2011 recorded revenues will require significant adjustments in future years.

The Company's federal universal service support and state high cost fund support revenue is intended to compensate the Company for the high cost of providing rural telephone service. Federal universal service support revenues include funds received for the high cost loop support, interstate common line support, local switching support, Connect America Fund, and other miscellaneous programs. High cost loop support and interstate common line support are based on the Company's current relative level of operating expense and plant investment. Support from the Connect America Fund is based on a historical frozen amount related to 2011 investments and expenses associated with the switching function and certain 2011 intrastate access revenues, which together make up the CAF base. The CAF base will be reduced by 5% each year in determining CAF support. The California High Cost Fund-A (CHCF-A) support is subject to renewal every four years by the California legislature. Legislation to extend the CHCF-A program to January 1, 2015, was adopted in October 2011.

**Regulation** – The Company's services are subject to rate regulation as follows:

- Local telephone and intrastate access revenues are regulated by the CPUC. The FCC also has preemptive authority to regulated intrastate telecommunications services, including intrastate access rates.
- Interstate access revenues are regulated by the FCC through its regulation of rates and settlements procedures as administered by NECA.
- Universal service revenues are administered by the Universal Service Administrative Company (USAC) based on rules established by the FCC.
- State High Cost Fund revenues are administered by the CPUC based on rules established by the state of California.

# THE SISKIYOU TELEPHONE COMPANY

## NOTES TO FINANCIAL STATEMENTS

---

### NOTE 1 – DESCRIPTION OF OPERATIONS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

**Regulation (continued)** – Nonregulated services consist of internet services and other incidental nonregulated revenues. Miscellaneous includes revenues from directory, billing and collection, rents, and other incidental services.

Nonregulated expenses and nonregulated plant are directly attributable to nonregulated services. All other operating expenses and telecommunications plant are related primarily to regulated revenues. However, some of these costs jointly relate to regulated and nonregulated services.

For settlement, universal service support, rate case, and other regulatory purposes, the portion of these common costs related to nonregulated activities are removed in accordance with Part 64 of the FCC rules in order to ensure that regulated revenues are based on costs of providing regulated services.

In October 2011, the FCC issued an order reforming Intercarrier Compensation and Universal Service (USF) mechanisms and issued a Further Notice of Proposed Rulemaking (FNPRM) on long-term USF reform, transition timing, and implementation. The majority of the new rules took effect, subject to various transition provisions, on July 1, 2012.

Major provisions of the order and FNPRM include:

- Limitations on the amount of support received per line
- Limitations on capital expenditures and operating expenses recoverable from the USF
- Benchmarks for minimum local rates charged to end users by recipients of support
- The establishment of the Access Recovery Charge billed to end users
- The phase out of local switching support and terminating interstate and intrastate switched access charges
- The establishment of the Connect America Fund, a new funding mechanism for investment and expenses related to the switching function

Management is monitoring the impact of the reform.

In November 2010, the CPUC approved the Company's general rate case that was effective in 2011. The approval of the rate case enables the Company to earn an authorized intrastate rate of return of 10% and draw CHCF-A support.

**Income taxes** – Deferred income taxes are accounted for using an asset and liability approach that requires the recognition of deferred tax liabilities and assets for the expected future tax consequences of temporary differences between the financial statement and tax basis of assets and liabilities at the applicable enacted tax rates. A valuation allowance is provided when it is more likely than not that some or all of its deferred tax assets will not be realized. The Company evaluates the realizability of its deferred tax assets by assessing its valuation allowance and by adjusting the amount of such allowance, if necessary.

## THE SISKIYOU TELEPHONE COMPANY

### NOTES TO FINANCIAL STATEMENTS

---

#### NOTE 1 – DESCRIPTION OF OPERATIONS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

**Income taxes (continued)** – The Company records uncertain tax positions if the likelihood that the position will be sustained upon examination is less than 50%. As of December 31, 2012 and 2011, the Company had no accrued amounts related to uncertain tax positions. The Company does not have any entity level uncertain tax positions and is no longer subject to examinations by tax authorities for the years before 2008 for its federal filings and 2007 for its California filings.

**Taxes imposed by governmental authorities** – The Company's customers are subject to taxes assessed by various governmental authorities on many different types of revenue transactions with the Company. These specific taxes are charged to and collected from the Company's customers and subsequently remitted to the appropriate taxing authority. The taxes are accounted for on a net basis and excluded from revenues.

**Concentrations of risk** – At various times throughout the year, the cash balances on deposit with financial institutions exceeded federally insured limits. A possible loss exists for those amounts in excess of \$250,000. The Company minimizes this risk by utilizing numerous financial institutions for deposits of cash funds.

In 2012, the Company received \$8,189,139 from the Federal Universal Service Fund and \$3,728,865 from the CHCF-A. In 2011, the Company received \$7,817,625 from the Federal Universal Service Fund and \$4,207,342 from the CHCF-A. These amounts represent 61% and 62% of the Company's operating revenues for 2012 and 2011, respectively.

**Subsequent events** – Subsequent events are events or transactions that occur after the balance sheet date, but before financial statements are available to be issued. The Company recognizes in the financial statements the effects of all subsequent events that provide additional evidence about conditions that existed at the date of the balance sheet, including the estimates inherent in the process of preparing the financial statements. The Company's financial statements do not recognize subsequent events that provide evidence about conditions that did not exist at the date of the balance sheet, but arose after the balance sheet date and before the financial statements are available to be issued. The Company has evaluated subsequent events through April 19, 2013, which is the date the financial statements are available to be issued.

**Reclassifications** – Certain reclassifications have been made to the prior year's balances in order for them to be in conformity with the current year and had no effect on the prior year's net income or retained earnings as previously reported.



# THE SISKIYOU TELEPHONE COMPANY

## NOTES TO FINANCIAL STATEMENTS

### NOTE 2 – OTHER ACCOUNTS RECEIVABLE

Other accounts receivable at December 31 consist of the following:

	2012	2011
AT&T Communications	\$ 230,286	\$ 180,828
NECA	1,083,137	754,386
California High Cost Fund	621,478	350,476
California Public Utilities Commission – RTB (see Note 8)	2,225,371	5,563,428
Other	342,406	232,538
	<u>\$ 4,502,678</u>	<u>\$ 7,081,656</u>

### NOTE 3 – PROPERTY, PLANT, AND EQUIPMENT

Major classes of property, plant, and equipment:

	Depreciable Life in Years	Plant Account	Accumulated Depreciation	2012 Net Balance	2011 Net Balance
Regulated plant in service:					
Land	n/a	\$ 390,536	\$ -	\$ 390,536	\$ 390,536
General support	5 to 56	9,890,805	7,555,919	2,334,886	2,666,558
Central office	7 to 10	10,570,875	5,618,872	4,952,003	4,679,160
Cable and wire facilities	17 to 60	<u>66,298,349</u>	<u>21,418,528</u>	<u>44,879,821</u>	<u>39,766,359</u>
		87,150,565	34,593,319	52,557,246	47,502,613
Regulated plant under construction	n/a	1,764,954	-	1,764,954	1,697,351
Nonregulated plant in service	6 to 14	<u>411,842</u>	<u>394,889</u>	<u>16,953</u>	<u>72,568</u>
		<u>\$ 89,327,361</u>	<u>\$ 34,988,208</u>	<u>\$ 54,339,153</u>	<u>\$ 49,272,532</u>

# THE SISKIYOU TELEPHONE COMPANY

## NOTES TO FINANCIAL STATEMENTS

### NOTE 4 – EMPLOYEE BENEFITS

Pension benefits for substantially all employees of the Company are provided through the National Telephone Cooperative Association (NTCA) Retirement and Security Program and Savings Program (the Plans). The Retirement and Security Program is a defined benefit pension plan and the Savings Program is a defined contribution plan. The Plans are exempt from federal income taxes under the Internal Revenue Code. Quarterly contributions are made to the Retirement and Security Program and annual contributions to the Savings Program equal to amounts accrued for pension expense. The Retirement and Security Program is a master multi-employer plan, which is available to all members of NTCA. The accumulated benefits and plan assets are not determined or allocated separately by individual employer.

The Company makes contributions to the Plans based on each employee's compensation. The employer contributions for 2012 and 2011 were \$420,998 and \$424,611, respectively.

Pension Protection Act Zone Status		Cooperative Contributions Greater than 5% of Total Plan Contributions	Funding Improvement/ Rehabilitation Plan in Place	Surcharges Imposed	Expiration Date of Collective Bargaining Agreements	Minimum Contributions Required in the Future
2012	2011					
At least 80% funded	At least 80% funded	No	No	Yes	N/A	No

The risks of participating in multiemployer plans are different from single employer plans as follows: (1) assets contributed to the multi-employer plan by one employer may be used to provide benefits to employees of other participating employers, (2) if a participating employer stops contributing to the Plan, the unfunded obligations of the Plan may be borne by the remaining participating employers, and (3) if the Company chooses to stop participating in a Plan, the Company may be required to pay a withdrawal liability.

### NOTE 5 – COMMON STOCK AND RETAINED EARNINGS

Each share of 5.75% cumulative Class "A" preferred stock has ten votes and has preference over common stock to the extent of dividends in arrears. The Class "A" preferred stock is subject to optional redemption at \$53 per share.

# THE SISKIYOU TELEPHONE COMPANY

## NOTES TO FINANCIAL STATEMENTS

### NOTE 6 – INCOME TAXES

The provision for income taxes is as follows for the year ended December 31:

	<u>2012</u>	<u>2011</u>
Current expense:		
Federal	\$ 1,770,485	\$ 864,365
State	552,668	1,062,516
Deferred expense:		
Federal	382,381	2,887,872
State	<u>(327)</u>	<u>48,506</u>
	<u>\$ 2,705,207</u>	<u>\$ 4,863,259</u>

The Company computes and records federal income and California franchise taxes on a separate return basis, but files a consolidated tax return with its parent, Siskiyou Communications, Inc.

The Company's effective income tax rate varies from the current federal tax rate primarily because of state franchise tax, net of federal and book to tax adjustments.

The components of the net deferred tax assets (liabilities) at December 31 consist of the following:

	<u>2012</u>	<u>2011</u>
Deferred tax liabilities:		
Property – accelerated depreciation	<u>\$ (4,691,910)</u>	<u>\$ (4,532,478)</u>
Deferred tax assets:		
Federal deferral of state franchise tax	212,838	386,418
Other	<u>88,636</u>	<u>137,678</u>
Total deferred tax assets	<u>301,474</u>	<u>524,096</u>
Net deferred tax (liability)	<u>\$ (4,390,436)</u>	<u>\$ (4,008,382)</u>
Current	\$ 301,474	\$ 524,096
Noncurrent	<u>(4,691,910)</u>	<u>(4,532,478)</u>
	<u>\$ (4,390,436)</u>	<u>\$ (4,008,382)</u>

## **THE SISKIYOU TELEPHONE COMPANY**

### **NOTES TO FINANCIAL STATEMENTS**

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#### **NOTE 7 – RELATED PARTY TRANSACTIONS**

The Company provides various services to its affiliates: Siskiyou Communications, Inc., Siskiyou Cablevision, Inc., Siskiyou Sites, Inc., and Siskiyou Long Distance Company. Siskiyou Sites, Inc. was not an affiliate as of June 14, 2013. The Company bills each affiliate monthly for payroll, overheads, insurance, materials transfers, and various other shared services. Amounts billed for the 12 months ended December 31, 2012 and 2011 were \$46,592 and \$53,681, respectively. Amounts due from these billings are shown on the balance sheet as accounts receivable – affiliated companies.

Siskiyou Communications, Inc., the parent company of The Siskiyou Telephone Company, pays income taxes for all of its affiliates during the year and is subsequently reimbursed by each company.

#### **NOTE 8 – RURAL TELEPHONE BANK INCOME**

The Company owned stock in the Rural Telephone Bank (RTB), which was dissolved in 2006. The stock was acquired through the participation in the government loan programs specifically set up for the industry and administered by the RTB. The process and terms to implement the dissolution of RTB were established in the budget for fiscal year 2006 for the United States of America. The dissolution was completed in 2007 and the Company recognized a gain on dissolution in its 2007 financial statements. In 2010, the CPUC issued its final decision that the proceeds from RTB should benefit the ratepayers of California and ordered the Company to return most of the gain previously recognized to the CPUC. The 2010 loss recognized of \$5,598,428 represents the amount the CPUC believed belonged to the ratepayers.

On July 5, 2011, the Fifth District Court Appeal annulled the RTB decision as brought by the CPUC. The CPUC then sought to rehear the case at the Appeals' level, which was denied. Thereafter, the CPUC petitioned the California State Supreme Court to challenge the Appeals' court decision and was also denied. Per the Courts decisions, the amounts previously paid to CPUC are to be returned to the Company. In March 2012, the CPUC issued a ruling to initiate the process of returning the funds paid by the Company under the now annulled Commission Decisions (D.) 10-06-029 and 10-10-036, per the opinions issued by the Court of Appeals for the state of California, Fifth Appellate District. As a result, the Company has recorded a gain of \$5,563,428 in 2011.